

### Government money in 'magical' Footnotes - Truth lies hidden here

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"IF it is government money, then why should I care? This thinking had become the biggest obstacle in the balanced and all-round development of the country" said Prime Minister Narendra Modi on 11th December 2021.

Mr. Modi made this apt & valuable observation while claiming that this thinking kept hanging the Saryu Nahar National Project in Uttar Pradesh for decades.

"We have done more work in the Saryu canal project than what was done in 5 decades in less than 5 years. This is a double engine government. This is the speed of work of the double engine government, our priority is to finish the project on time," he added.

Hard facts about this three-phase project, not mentioned by PM, would convey a different image from the political spin that he gave to Saryu Nahar. This is, however, a separate cup of tea.

We would, here, focus on the indifferent thinking about the government money. It is still raging like Covid-19 and its variants across the country. And, it is happening right under the nose of powers that be!

What better proof of this can be than the latest reports of Comptroller and Auditor General of India (CAG)? Factor in the snail's pace at which actual recoveries of revenue are made by different government entities on basis of Audit findings. The proof about persisting indifference towards Government money becomes rock-solid when we reckon dozens of reports of the World Bank, Asian Development Bank and other multilateral lenders on delayed projects.

The basic fact is that governance is a continuous system. Both good and bad practices flow in it like river carrying pebbles, soil and deadwood down the mountains to the plains across India.

Governments of all hues require the political will to accept that it is a herculean task to prevent revenue leakages and ensure efficient usage of Government money. The problem is that Mr. Modi, almost always, puts all bad eggs in the basket of previous regimes and shifts the good eggs in his basket as rebranded vision and achievements. He prefers silence on all financial wrongs happening in his Government.

To realize how bitter this truth is, refer to CAG reports tabled in Parliament during the ongoing session. Well, the truth including "critical information"

on tonnes of money has been reduced to footnote in CAG Financial Audit report on Union Government's accounts for 2019-20. It was tabled on 29th November 2021 - four and half months after its submission by CAG to Government.

Financial Audit Report (FAR) says,

"A total of 254 footnotes had been inserted in 16 statements of the UGFA (Union Government Finance Accounts) for disclosing additional information with respect to figures for transactions. These footnotes, though related to significant transactions, were brief and cryptic and in some cases were being repeated year after year without resolution".

The Government understated its public liabilities by 173.84%! One can compute this percentage from disclosures made in footnotes of UGFA and cited by CAG. FAR explains: "Summary of Debt Position" of UGFA for FY'20 depicted the total of liabilities under "Small Savings and Provident Fund"

as Rs 5,74,880 crore as on 31 March 2020. Information on other liabilities of the Union Government consisting of investment of NSSF of Rs 8,06,984 crore, accumulated deficit of NSSF of Rs 1,09,462 crore and investment of Rs 82,963 crore relating to Post Office Insurance Fund was provided by way of a footnote.

### It says:

"Thus, depiction of Public Account Liabilities amounting to Rs 9,99,409 crore through a footnote, and not as part of the main body of the Statement or depicting the consolidated picture at any place, did not present an appropriate picture of Public Account Liabilities of the Union Government".

Another report tabled in Parliament on 29th November noticed that "Assets were found to be overstated by Rs 5,90,875 crore".

The Government applied Footnote magic to understate its external debt in contravention of Fiscal Responsibility and Budget Management (FRBM) Act, 2003. CAG observed that UGFA for 2019-20 showed Government's External Debt at historic rate of exchange (Rs 2,99,250 crore). It disclosed the External Debt as converted at the current exchange rate (rate as on 31 March 2020) as a footnote (Rs 5,44,394 crore).

#### As put by FAR:

"It was observed that the latter was Rs 2,45,144 crore higher than the amount at historical rate. This disclosure of the value of external debt only through a footnote affected the transparency of the accounts and may also be seen in the light of the FRBM Act, 2003 wherein the definition of Union Government Debt includes External Debt valued at current exchange rates".

FAR categorized 254 footnotes inserted in UGFA into seven groups. These are: 1) explanation of other expenditure and receipts (125 footnotes), 2) information on disinvestment and investment (52 footnotes), 3) adverse balances under investigation (32 footnotes), 4) minus booking under investigation (18 footnotes) 5) explanation of guarantee (18 footnotes) 6) Prior period adjustments and transfers without financial adjustment (4 footnotes) and 7) Balances under reconciliation (3 footnotes).

CAG has recommended that the Government should consider introducing a "Notes to Accounts"

section or an equivalent consolidated disclosure format as part of UGFA which would enable additional information (beyond that depicted in the individual Statements) to be provided in a consolidated form to aid readability and transparency.

As for revenue recoveries effected at instance of CAG, take the case of Railways. It has so far recovered only Rs 90.44 crore out of Rs 323.59 crore identified by CAG as under-charging of freight, excess payment to staff and other entities in 2012-13. Initially, Railways accepted recoverable overdues as Rs 248.62 crore. It later reduced recoverable amount to Rs 231.72 crore. This information has been culled from a railways document dated 15th December 2021.

Look now at the CAG's latest Compliance Audit report on Railways made public on 29th November 2021. It says:

"Cases of fraudulent payment of price variation to contractors in Northeast Frontier Railway were noticed. Monitoring mechanism for checking of price variation bills by the Executive and the Accounts Department was weak. This resulted in avoidable/excess payment of Rs 1,172.04 crore and short payment of Rs 8.76 crore towards price variation to the contractors in the works contracts test checked in audit".

This Report is littered with several other instances of avoidable wastage of money on projects and losses on the operations.

Consider now CAG report on Communication and IT sector for 2018-19, which too was released on 29th November 2021. It is loaded with cases of inefficient use of public money, wastages of capital in projects execution and avoidable revenue losses.

The Report has noted that Department of Telecommunications (DOT) has deployed deficient technology for a communication project in Left wing extremism (LWE)-affected areas. The project is funded through Universal Service Obligation Fund (USOF).

As put by the Report,

"there is limited assurance that the expected outcomes in terms of providing critical communications facilities in remote and disturbed areas would materialise despite expenditure of Rs 3,112.32 crore on the project. A different approach involving use of latest available technology along with review and up-gradation of technology would have ensured value for money and better communication facilities in LWE areas".

Similarly, Rs 26.46-crore capital expenditure on a telecom project in North Eastern Region was "rendered unfruitful" due to deficient planning, delayed implementation and non-resolution of certain issues by Ministry of Electronics and Information Technology (MeitY). This in, turn resulted in "sub-optimal use and idling of equipment".

National Informatics Centre Services Incorporated (NICSI) procured hardware and software costing Rs 890.34 crore through the "Strategic Alliance"

route in contravention of General Financial Rules, 2005 and departmental instructions. NICSI thus failed to ensure transparency and competitiveness in the procurement process. CAG has not estimated the savings that would have accrued had the purchases been made through competitive bidding.

Take a look now at CAG report on Govt's compliance with FRBMA for two financial years ending 31 st March 2019. It was released on 29th November 2021.

According to this report, Central Government debt and General Government debt (states' debt included) was to be contained at 40 per cent and 60 per cent of GDP respectively by the end of 2024-25 under the revised FRBM framework.

## It says: "

However, no exercise has been undertaken to compute and disclose both Central Government and General Government debt as per the changed definitions. In addition, no annual reduction targets for intervening years have been prescribed in the Act or advised by the Government. In the context of General Government debt, no strategy for containing debt at mandated levels in association with States, have been outlined in FRBM mandated statements."

The report also lists specifics of short transfer of cesses to respective reserve funds during 2017-18 and 2018-19. The proceeds of specific levies and cesses are to be spent for specified purposes. To ensure this, the receipts of such imposts are transferred to designated funds created in the Public Accounts or with nominated agencies.

Transfers to these funds are accounted as expenditure from the Consolidated Fund of India (CFI). To the extent that these collections are not transferred or not spent for specified purposes, expenditure is understated and so are the fiscal indicators.

CAG has observed that the balances under National Small Savings Fund (NSSF) "

do not explicitly disclose the substantial accumulated deficit in the fund, which would have to be made good by the Government in the future ".

#### It adds: "

There is also inadequate disclosure that significant amounts were being provided from NSSF for funding revenue expenditure of the Government which would have to be serviced through budgetary support.

The laxity about Government money would turn into a horror story if one quotes CAG reports on direct and indirect taxes, which, every year, cites thousands of crores of revenue leakages and several times more of uncollected taxes.

The governments of all three tiers should muster courage to admit that indifference towards public money is worse than havoc wreaked by Covid-19 pandemic. It can also be contained by regular doses of transparency and booster doses of accountability, including, on crony capitalism.